

**STATEMENT OF
DEPARTMENT OF DEFENSE COMPTROLLER
JOHN J. HAMRE**

**BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS**

FINANCIAL MANAGEMENT REFORM

APRIL 14, 1994

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Mr. Chairman, members of the committee, thank you for the opportunity to appear before you today concerning the financial management in the Department of Defense (DoD). I sincerely welcome this opportunity to appear before you and share with you what I have learned in the six months since I have been sworn in as Comptroller for the Department of Defense.

FINANCIAL MANAGEMENT PROBLEMS AND REFORMS

I intend in this testimony to present to you a frank and candid assessment of the state of our financial management systems. I do that following the lead of Secretary of Defense William Perry, who responded to a particularly dismissal assessment of DoD financial management systems by Senator John Glenn by saying, "I fear it is worse than you have stated."

I have only one reservation today in offering so candid and blunt an assessment. I fear that without proper context my comments might undermine the spirit of the 46,000 dedicated public servants who work in the financial management area. Despite all of our problems, I am convinced the Department is doing a good job of managing the resources provided by the Congress. But we are able to do this because of an army of dedicated public servants who are working to overcome the limitations of the tools we have given them.

Long-standing financial management problems

We have inherited a troubled system. Its failings are well known.

- Last year we paid defense contractors \$1.3 billion more than we should have and had to recover that overpayment.
- After the conclusion of Operation Desert Storm, we continued to pay 1,100 personnel after they left the Army. Sadly, we even had instances where we paid deserters.
- Last September DoD could not match some \$19 billion in disbursements to specific requirements in acquisition contracts.

I do not want to lay these charges at the feet of my predecessor, for he too inherited this flawed system. Indeed, our deep-seated weaknesses stretch back to the founding of the Republic.

In 1775, the Continental Congress appointed James Warren to be the first Paymaster General. He was in effect the first Comptroller for the Department of Defense, my predecessor. After 6 months in the job, he wrote to the Continental Congress saying he could not do his job properly because of the flaws in the financial management systems he inherited. He complained that each of the 13 colonies insisted on its own payroll system and they were not standardized. The overall system was open to abuse. Frequently individuals would sign up for the militia for one colony to receive the sign-up bonus, only to desert and join another militia to receive its bonus. Pay was not standardized. Uniforms were not uniform. It was chaos.

When Dr. Perry asked me to undertake a thorough assessment of our financial management systems, I reported back to him that we have actually made tremendous progress in the past 200 years. We have added 37 states to the Union and only 5 additional payroll systems.

Legacy of vertically-oriented, chain-of-command organization

Seriously, our financial management problems in the Department of Defense do trace back to the founding of the Republic. I am not trying to lessen my responsibility for changing things by implicating my predecessors in the problems we face. But no enduring reform is possible without properly understanding the true causes of our problems.

The financial management failures of our system spring ultimately from our formal organization. When DoD was established in 1947, it retained the existing organizations with their vertical chain-of-command mode of operations. This vertical chain-of-command organization is essential for success on the battlefield, but it had distinct consequences for peacetime operations. Management systems, including financial ones, were geared to report information up through these vertical channels. When computers came along and every organization sought to automate its processes, these organizations were not compelled to emphasize horizontal connections across organizations of like functions, such as pay or contracting. Instead, computers were used to automate formerly manual procedures. Financial management systems were designed within the chain of command to support the commander of that operation.

At the same time the business of defense in the past 50 years has demanded an unprecedented degree of integration of functions. As the Department of Defense matured, certain activities--such as contract management--were made common across the Department. But this process of standardization really produced yet additional collections of vertically-oriented chain-of-command organizations.

(Chart 1) My first chart summarizes the consequences of these developments. The legacy of this organizational history is a Department filled with redundant and non-uniform financial management systems. In 1991 when the Defense Finance and Accounting Service was established, there were 66 major finance systems and 161 major accounting systems. Thus, the Department had to create enormously complex business practices to integrate horizontally the necessary functions of the different vertical organizations which had to work together to accomplish the tasks of arming and equipping the military forces in the postwar period.

We learned this painfully simple truth when we set about trying to determine why the Department had so much difficulty matching obligations and disbursements. A good illustration of our findings is the process required to procure a weapon system.

First, let me briefly discuss the theoretical functioning of our system. I will use the F-18 fighter as an example to illustrate the problem. (Chart 2) The chart contains six boxes. In the instance of the F-18, the program manager is in the Navy Air Systems Command. He develops a program, secures the support of the Navy, defends his budget request inside the Pentagon and ultimately before the Congress. Once the funding is secured, he issues a request for proposal and initiates the procurement process. At that point he hands the problem over to the contracting office, which in this case is also within the Navy Air Systems Command. This office actually awards the contract and negotiates its content. At that point the contractor proceeds to work on the procurement. The contractor sends contract information, invoices, and delivery notices to the Defense Contract Management Command. This is a DoD-wide activity in the acquisition community. DCMC administers the contract, issues modifications to it, accepts and approves deliveries of goods specified under the contract and notifies the Defense Finance and Accounting Office that it has received the goods, permitting DFAS to make payment on the invoice. After the payment has been made, DFAS sends that information to one of its accounting offices which provides detailed accounting detail back to the program manager.

That is the sequence of responsibilities. But now look at the flow of paperwork. (Chart 3) This chart illustrates the primary paper transactions required by this process. Indeed, this is a simplified representation of the actual process. It takes 105 actual transactions to complete the full process.

Why is this so? The problem stems from the fact that the process involves separate vertical chain-of-command organizations. The program manager and contracting offices in this example were Navy acquisition command offices. DCMC is a DoD-wide acquisition activity. DFAS is a DoD-wide finance activity. (Prior to DFAS there were service-specific finance and accounting activities.)

Unfortunately, buying F-18s is a functional activity that requires a great deal of horizontally integrated activity. So to make the vertical staff organizations accomplish this task, we have engineered enormously complex business practices.

This complexity is the primary reason why we had \$19 billion in unmatched disbursements. An honest, innocent mistake in any one of these paper transactions can produce inconsistencies that require extensive manual research, which results in a build up of unmatched disbursements.

While the paper flows are different, this also is precisely the underlying cause of problems that had us pay 1,100 soldiers for months after they were discharged following Operation Desert Storm. Our personnel systems are not integrated with our payroll systems. We did not have a problem with pay and personnel in the Air Force or the Marine Corps, largely because we have reliable integration of pay and personnel systems for those two services. But we lacked that integration for the Army, and we paid a price for it.

Complacency about Financial Management Problems

I have found that the financial management community was well aware of its limitations, and adapted to these shortcomings. In part, this was because the solutions were perceived to demand actions far larger than any one organization would manage. I have frequently said that our financial records are the thermometer that registers the fever caused elsewhere in the body. The shortcomings show up in our financial records, but they are caused by far more deep-seated problems. Knowing that, it was all too easy for my community to become complacent in the face of our shortcomings.

I recently experienced this problem personally. In February, the Senior Financial Management Oversight Council met to consider the Department's compliance with the so-called Antideficiency Act. Dr. Perry created the SFMOC precisely to deal with long-standing problems in the Department. In preparation for that review, I learned that the Department routinely disburses funds in excess of available balances in individual accounts. In colloquial terms, the Department routinely writes checks on accounts that are "in the red" under the assumption that these accounts are in the red because of innocent accounting errors. I personally believe that these are largely innocent accounting errors, but we also adopted this approach because of the enormously complex disbursing process we have created over the years. To facilitate contract payment, we have charged disbursing offices to pay any "authorized" invoice. We presume that whoever authorized payment first checked to make sure there were funds in the account. The consequence is that multiple individuals have access to the checkbook and no one is

responsible for checking the balance first before the check is written.

I found this totally unacceptable as a practice. Again, I accept the premise that negative balances reflected innocent mistakes. But we have created a system where no one feels it is their personal responsibility to correct the mistakes before we go any further. I encountered great reluctance to change our way of doing business, not because they felt this was the right way to do business, but because this practice was designed to accommodate the complexities of our overall system and the complaining will be bitter when it changes. We are changing, and I fully expect a firestorm of protest as the system adjusts. But we can no longer acquiesce to our systems shortcomings.

Blueprint to Reform DoD Financial Management

As I pledged during my confirmation process, I consider as my greatest responsibility the reforming of DoD financial management. I doubt that I will be in office long enough to witness the full impact of our reforms. But I must take these steps, building on the reforms I inherited from my immediate predecessors, if we are to correct these long-standing problems.

The Department has adopted a six-element blueprint to solve its financial management problems.

Strict Compliance with current requirements. The current system may be inefficient and redundant, but it is the system and we have to make it work better until we can change it. I am pleased to report to you that we are making progress in this regard. Last October the Senior Financial Management Oversight Council met on the problem of unmatched disbursements. As I said, at that time we had \$19 billion unmatched disbursements.

Dr. Perry gave us what seemed like an impossible goal--to reduce that number by 50% by July 1. All of the old professionals in the financial management world said it could not be done. And we are not there yet, but as of February 1, we had that reduced to \$12 billion, a reduction of 37%. This progress is purely the result of hard work by dedicated individuals making the current system work. We have to do more of that until we can solve the underlying problems.

Re-engineer business practices. One of the buzz-words of management today is re-engineering business practices. But clearly that is the solution to our deep-seated problems. Long-term solutions will depend on re-engineering DoD business practices to break down the barriers that persist from the legacy of the past.

There is both a near-term and a far-term dimension to this re-engineering task. Returning to the example of the F-18 contract payment, in the near-term we need to find ways to get arrows off this paper flow chart. And there are ways we can do

that. For example, currently both the Defense Contract Management Command and the Defense Finance and Accounting Service enter basic contract data into separate computer systems. Simple key stroke errors create the raw material for unmatched contract disbursements later on. We are exploring ways to have DCMC enter the contract data once and provide that input electronically to DFAS. There are numerous other near-term re-engineering changes we have under review.

In the far-term, re-engineering will be more profound. (Chart 4) This chart provides an overly simple visual aid to understanding our long-term goals. In the long-term, we need to develop standard ways to define information and to share that information so that we can eliminate needless data entry in subsequent offices and rely on the input of the office closest to the task. Once the program manager secures congressional appropriations and enters that data, there is no reason why every subsequent organization and process cannot electronically borrow that information for its requirements. This chart is meant to illustrate this long-term goal.

Standardize definitions, concepts and practices. The key to this long-term vision is found in the Department's efforts under the Corporate Information Management initiative. I am a strong supporter and advocate for CIM. Our progress to date has been modest, but steady. Certainly we promised more through CIM than could be initially delivered. But we are on the threshold of major changes.

In the financial management area, we have over 100,000 data elements in our 250 plus finance and accounting systems. Detailed data modeling has shown that we will require less than 900 to accomplish the full range of our responsibilities. To date progress on data standardization has been slow. But through concerted efforts, I hope and expect that we will have over 400 of the 900 data elements we require in financial management approved by July 1. It is my goal to have 90% approved by the end of the year, and I am modestly optimistic that we will achieve that goal. Once that is achieved, we have agreed on our long-term path. We will have created a common language for our disparate systems to use, or to design a new integrated finance and accounting system.

Design modern finance and accounting systems. I received a great gift from my predecessors when they established the Defense Finance and Accounting Service. I have a tool to use to engineer the needed changes for the future. DFAS has set about the task of streamlining our finance and accounting systems. Where we inherited 18 separate military payroll systems, today we operate only 11, and in two years we will be down to 2. The same can be said for civilian payroll systems. We inherited 18 and in two years we will be down to only 2.

The benefits from this streamlining are enormous. Today the average payroll clerk services 350 customers. Under our future system, a single payroll clerk will service over 1,500 customers. That is the key to streamlining and downsizing our work force.

We need to do the same in the area of our accounting systems. Here the task is much larger, since all of the existing 161 accounting systems were designed for existing operations, which must continue to operate day in and day out. Our conversion plans here are less well advanced, and present our primary challenge in coming months.

Align financial controls and management incentives. The most vigorous pursuit of higher efficiency and effectiveness comes when we align financial controls with the incentives we seek to instill in managers. DoD most important reform for doing this has the Defense Business Operations Fund (DBOF), discussed in the separate section below.

Practice candor and engender confidence. The final element of our blueprint deals with candor and confidence. We cannot accomplish all these critical tasks without the support of the Congress. We have not always earned that support. And we have made it hard for supporters to help us when we have failed to address our problems with the candor they demand. I am convinced the Congress will help us solve our problems if we are honest enough to present them to you and seek your advice and counsel. I hope you believe that we are now set upon a different course. We are anxious to solve our problems and we seek your support in our task.

I do not pretend we have found the only way to solve our problems. I welcome any advice and direction you can give us. I would only ask that you not burden us with tasks which do not solve our underlying problems.

DEFENSE BUSINESS OPERATIONS FUND

DBOF is a new spin on an old idea, a 100-year old solution to a 100-year old problem. (Chart 5) Revolving funds started in the 1870s, and are as necessary as ever. Established in October 1991, DBOF combined into a single revolving fund nine preexisting commercial or business operations that were previously managed individually. Additionally, some activities which were not previously financed on a revolving fund basis were incorporated, including finance and accounting services, reutilization and marketing services, industrial plant equipment maintenance and repair, commissary services, and technical information services.

The establishment of the Fund did not change any previous organizational reporting structure or command authority relationship. The single fund did allow consolidation of cash

management in a single account, but we retained discrete accounting data for each Component and the individual business areas. The most important change with DBOF was the focus on capturing the full cost of doing business, so as to ensure the best utilization of scarce resources. DBOF also enabled the uniform implementation of standard policies and standard financial practices, to improve the information and make it more reliable for decision making.

(Chart 6) The next chart depicts graphically how revolving funds work. To understand revolving funds, one must recognize that it is not practical for individual commanders--say, battalion commanders or ship captains--to go out to industry on their own and buy their spare parts or supplies. Commanders would have to conduct their own solicitations and competitions, maintain their own quality assurance organizations, etc. Such an approach is not very practical and would only divert them from their primary responsibility, which is to prepare their unit for combat. It also would not be very efficient--since industry would confront a confusing array of solicitations, would have no practical way to forecast demand, and would not be able to produce larger quantities of spare parts at efficient rates.

As an alternative, a long time ago we learned that it was more practical for the Army and Navy to buy spare parts for all of their commanders, and then to provide those parts and services on a retail basis within their departments. The services became the wholesale agent on behalf of their unit commanders.

Senior leaders quickly learned, however, that if you provide something for nothing, people tend to use too much of it, hoard it, lose it, or waste it. So 100 years ago, the Army and Navy invented revolving funds. Appropriated funds were given to individual unit commanders, and they were told that they had to operate their unit with only those funds, and they had to get their spare parts and services from their parent organization's supply and depot system. The suppliers needed only enough money to place initial orders. As they "sold" goods from their supply stocks to the unit commanders, they would use the "cash" they received to buy replenishment stocks from industry. It is in this sense that they were called revolving funds, since only a limited amount of cash was needed by the service supplier, and their goal was to break even. The prices they charged the unit commander were designed to cover the cost of buying a replacement item from industry plus their immediate operating costs for the supply system.

DBOF was created when the existing nine revolving funds were consolidated into a single fund. DBOF operates in the same generic way as those previous revolving funds.

(Chart 7) Thus the real revolution with DBOF is to reveal true costs. If pricing does not include all costs, then decisions are distorted. In the past, no one--from senior commanders to supply sergeants--knew or could determine the true cost of requirements they faced; for example, whether to repair or replace a damaged piece of equipment. Our systems failed to reflect the full cost of doing business. Consequently, individual commanders proceeded with decisions that minimized the cost to their specific organization, even though it quite likely drove up overall costs to the Department.

The previous Administration took much needed and heroic actions to correct this problem when they created DBOF. It has been a painful reform, however. The initial promises were overstated. Our underlying accounting systems were not up to the task. And the reform itself was poorly presented to those most affected by it. Despite these painful shortcomings, DBOF is working. It has introduced a cost discipline that was absent in our previous system. For the first time, the entire Department is talking about the "cost of doing business".

Attached is a chart illustrating how DBOF eliminates the distortion between cost and price. (Chart 8)

Problems with DBOF

(Chart 9) Three types of problems have plagued DBOF. First, DoD's accounting systems have not been adequate enough to support the DBOF concept. We have incomplete accounting of costs and inconsistent and untimely data.

The second type of problem has been inadequate policies and procedures and inconsistent implementation. The Department underestimated the difficulty in implementing critically needed changes to prevailing practice and behavior. Our naivete has led to much of the criticism directed toward the Fund. What seemed like sound changes were often misunderstood or not well supported procedurally. Also, we did not fully appreciate the confusion permeating the Department because of the many different management actions that were occurring at the same time. DBOF was an easy target for blame and criticism--whether justified or not.

The third problem has been what we term the "vicious circle" effect, discussed in connection with Chart 11 below.

DBOF Improvement Plan

(Chart 10) To remedy these problems, last year DoD undertook a systemic review to assess the soundness of the DBOF concept and to review its implementation. The review validated the DBOF concept, but it also recommended badly needed actions to improve its implementation and operation. These actions have

been documented in the DBOF Improvement Plan, approved in September 1993. The plan is ambitious. Some may say we cannot achieve it in the timeframe established. Perhaps, but we knew that we had to demonstrate a commitment to correct deficiencies, and that it was far better to act purposely and adjust later if necessary, than to allow a sluggish start. The plan has served us well in establishing the momentum we must maintain to achieve the desired results.

We feel very successful in our accomplishments to date. Many of the initial actions were not the type that will allow us to make quantum leaps, but they were very important in laying the foundation on which we can build. We have found, however, that in some cases we underestimated the time to complete actions or that the tasks identified do not adequately reflect the level of effort and coordination required. We will constantly review our progress against the plan and make adjustments to it when warranted. But so far we are encouraged by the overall effort demonstrated throughout the Department to make the improvements needed.

One of the most important outcomes of the review was the establishment of the DBOF Corporate Board, which is comprised of senior level executives from throughout the Department. Structured procedures, frequent meetings, and demonstrated progress in achieving improvements make this Board much more productive than an earlier, but unsuccessful oversight board. The DBOF Corporate Board is strongly committed to bringing about the changes required to support DoD mission.

As an example of the change in management focus, the DBOF Corporate Board will conduct periodic reviews of business area performance. Every Board member will have an opportunity to review pertinent information on operations of each business area. These reviews undoubtedly will generate a healthy discussion and alert the Board if something seems not to be working and if new policies need to be established, or old policy enforced.

We also are making some advancements in remedying our inadequate accounting support for DBOF. We have identified the system requirements for supporting DBOF, and are determining which of our existing systems support our requirements best. This will allow us to immediately reduce the number of DBOF systems and related costs.

In addition to improving efficiency, DoD is also working toward better identification of effectiveness, or performance measures, and integrating of the two types of measures in the decision process. Again, the Department is not starting from scratch, but building on measures previously identified and tracked and changing or improving them as necessary. The performance of business areas are being directly linked to cost and effectiveness for the first time.

We also have energized efforts to improve identification of outputs, ensure all costs are assigned to an output, and improve the delivery and quality of information for managers at all levels. Beneficial improvements to unit cost management are expected in the very near future. As information improves and costs are carefully analyzed, some reduction in costs can be expected, which will be reflected in customer prices.

Breaking the DBOF vicious cycle

DBOF is plagued by a central problem we term the "vicious cycle". (Chart 11) We have not been able to eliminate unnecessary costs as fast as budgets have been reduced. As a consequence, the ultimate customers continue to bear an increasing burden by higher prices. These higher prices cause them to reduce their demand for those goods and services. The demand falls faster than the depot managers can eliminate costs, resulting in operating losses for the year, which must be subsequently recovered through higher prices the next year. This vicious circle is the single largest threat to DBOF. We must take sweeping actions to eliminate these costs if DBOF is to produce its ultimate promise.

How then do we plan to break the DBOF vicious circle? (Chart 12) One step will be to adopt the model of a public utilities commission, by having our DBOF Corporate Board become a forceful advocate for the DBOF customers--unit commanders--and to push for reductions in the support costs they face. In this role the Board will make use of special DBOF cost-reduction task forces in such areas as: closure of excess or inefficient maintenance and supply depots, contracting out some financial services, promoting public versus private depot services, benchmarking certain costs, pursuing direct vendor delivery to operating units, and improved efficiency in DoD commissaries.

DBOF challenges and benefits

Financial management is big business, bringing with it the responsibility and the accountability to do what is right. Our challenge is to ensure the support establishment continues to meet the needs of the forces at an acceptable cost. And our financial management system must support the decision makers.

As we change the way we manage by focusing on what we produce, the cost of production, and the quality of the product, we have instituted practices that provide managers with more and better information, along with the authority and flexibility to make the right decisions. There is a price tag, however, and that is accountability. Managers are accountable to their customers, to their senior level managers, to the Secretary of Defense, and ultimately to you. Their performance in managing costs is not just another report, but a report card that allows results to be evaluated on a regular basis. We believe that by

providing the tools and the means to our managers, while implementing the right controls on the right things, we benefit by achieving better government for less.

DBOF serves as both a mirror and a microscope to view Defense operations. As a mirror, it allows us to see the way we have always done business and are doing business today; in essence, it reflects reality. As a microscope, it allows us to examine critically the way we do business; it challenges us to justify continuing the old ways or make improvements.

One thing that is clear to us is that the cost consciousness we feel to be so critical is becoming a reality. Cost has gained new importance both on the part of the provider and the customer. The questions being generated are prompting the support managers to focus on why their costs are as high as they are, and they are prompting greater scrutiny by customers when presenting requirements.

CLOSING

Mr. Chairman, I welcome the opportunity to testify before you today. I do so on behalf of the 46,000 civil servants who work in the financial management area. We owe them more than we have given them to do their work. They are carrying the burden every day for the flawed systems we have given them. Congress has been correct to point out our failings over the years. I now ask that you become our sponsors for change.

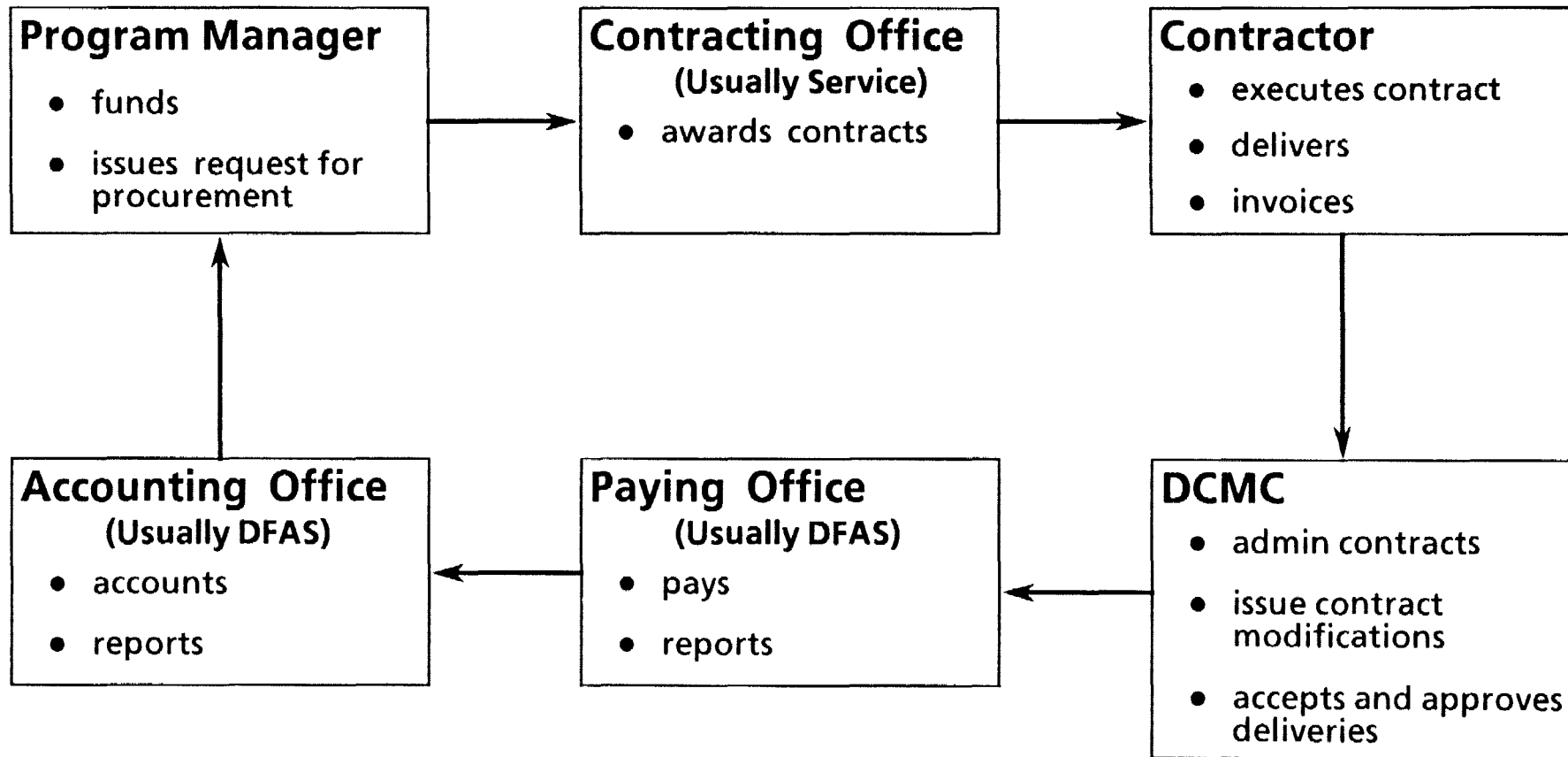
Thank you, Mr. Chairman. I look forward to your questions.

IMPACT OF VERTICALLY - ORIENTED STAFF ORGANIZATIONS

- Complicated Business Practices
- Frequent Performance Failures
(for example, unmatched disbursements)
- Most Systems useful only Inside a Single Staff Organization
- Redundancy/System Isolation
 - Limited Automated Interface between Systems
- Lack of Common Understanding on Terms, Concepts and Procedures

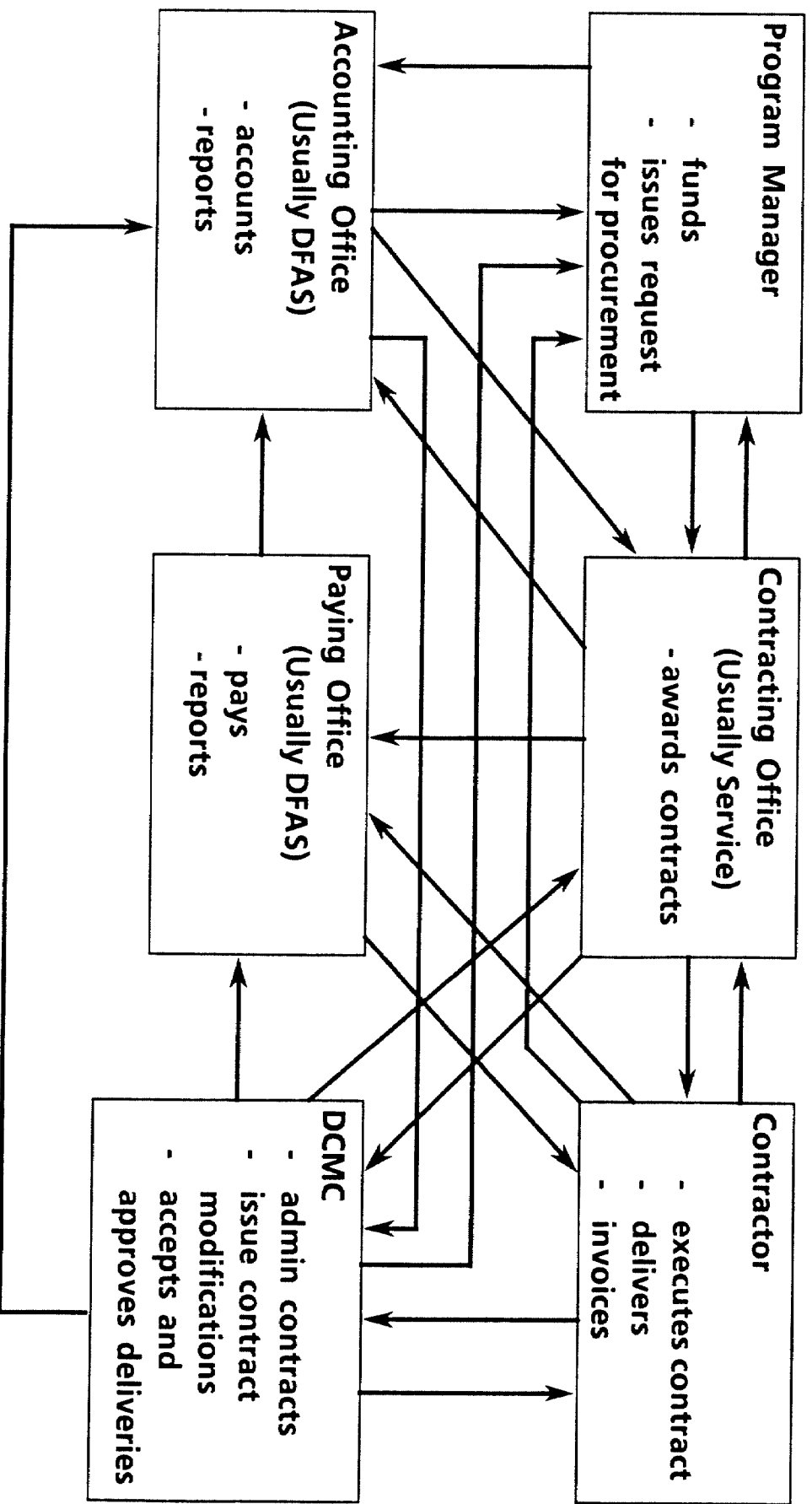
Contract Payments Process

(Responsibility Sequence)



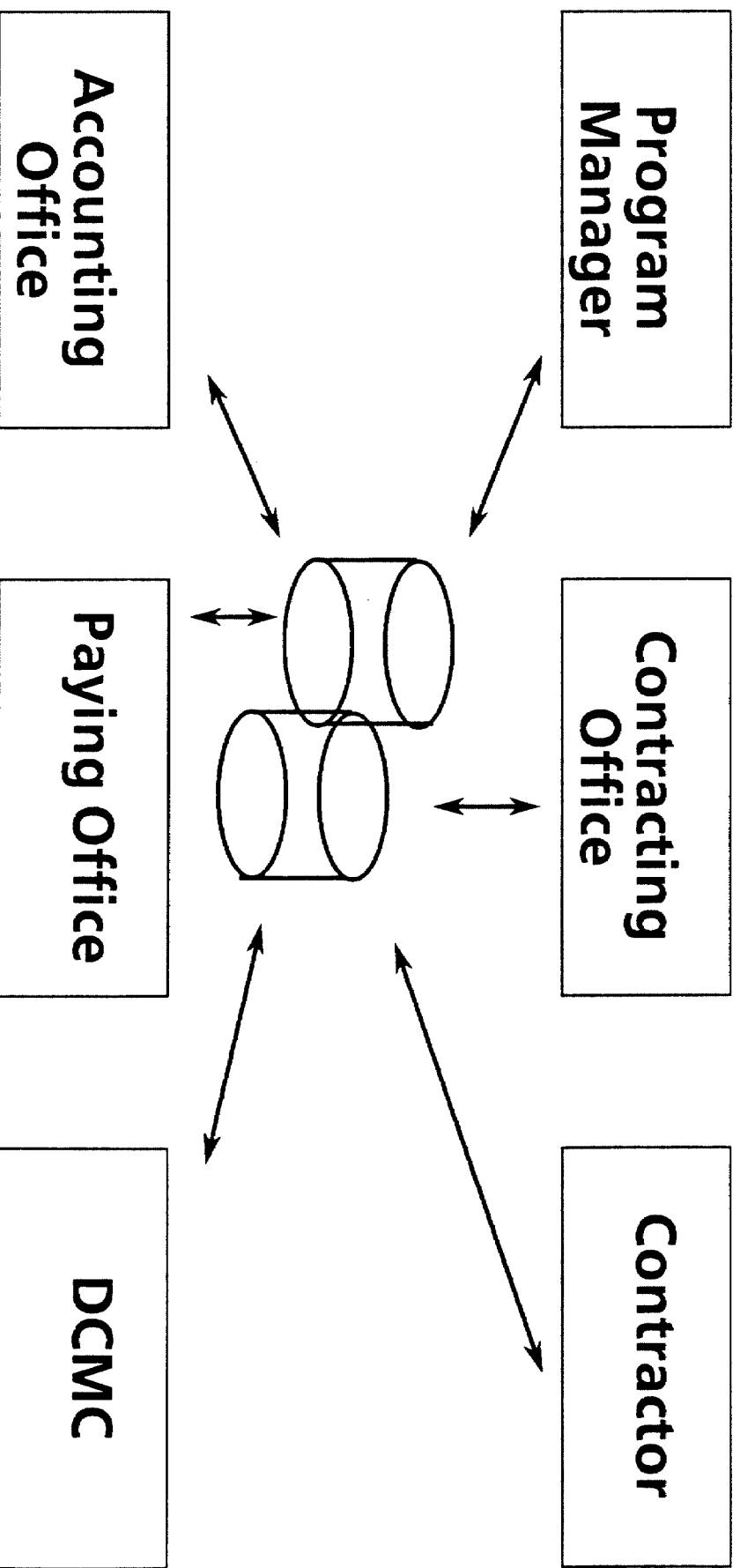
Contract Payments Process

(Paper Flow)



Contract Payments Process

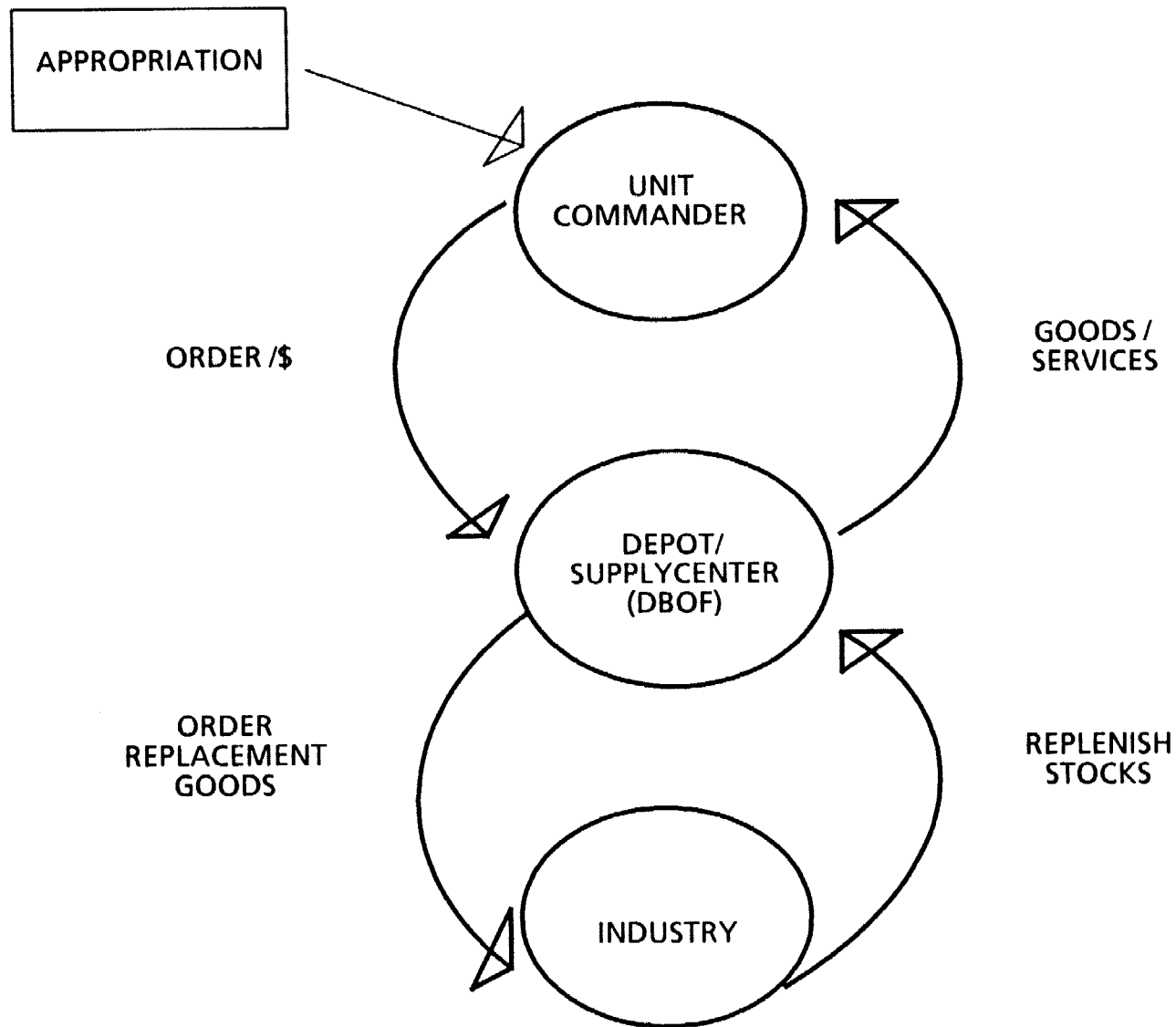
(Future Vision)



DBOF - NEW SPIN ON AN OLD IDEA

- **REVOLVING FUNDS STARTED IN 1870'S**
- **DBOF CREATED BY CONSOLIDATING NINE PREVIOUS FUNDS**
- **IMPORTANT CHANGE WITH DBOF -- CAPTURE FULL COST OF DOING BUSINESS**

HOW DO REVOLVING FUNDS WORK?



THE REAL DBOF REVOLUTION -- TRUE COST

- **DEFICIENT PRICING DISTORTS RATIONAL DECISION MAKING**
- **PREVIOUSLY COMMANDERS NEVER KNEW THE TRUE COST OF THEIR DECISIONS**
- **ALIGNING "COST" AND "PRICE" REINFORCES INTELLIGENT DECISION MAKING**
- **COST NOW BECOMES A MANAGEMENT TOOL AT ALL LEVELS**

DBOF ELIMINATES DISTORTION BETWEEN "COST" AND "PRICE"

	OLD WAY PUBLIC WORK CENTERS	NEW WAY PUBLIC WORK CENTERS
APPARENT CUSTOMER COST	PLUMBER PER HOUR \$23	PLUMBER PER HOUR \$37
HIDDEN COSTS	<div> MILITARY SALARIES \$14 PAYROLL SERVICES COMPTROLLER ADP SUPPORT SAFETY & SECURITY SPECIAL PROJECTS VEHICLE PURCHASE ASSET DEPRECIATION ENVIRONMENTAL COMPLIANCE FECA CAPITAL PURCHASES SUPPLY SUPPORT OTHER CENTRALLY FUNDED SUPPORT </div>	<div> \$0 </div>
TOTAL DOD COST	<u>\$37</u>	<u>\$37</u>

THE DEPARTMENT ALWAYS PAID THE COST

PROBLEMS WITH DBOF

- **INADEQUATE ACCOUNTING SYSTEMS**
 - **POOR COST-ACCOUNTING**
 - **INCONSISTENT/UNTIMELY DATA**
- **INADEQUATE POLICY/PROCEDURES AND INCONSISTENT IMPLEMENTATION**
- **“VICIOUS CIRCLE” EFFECT**

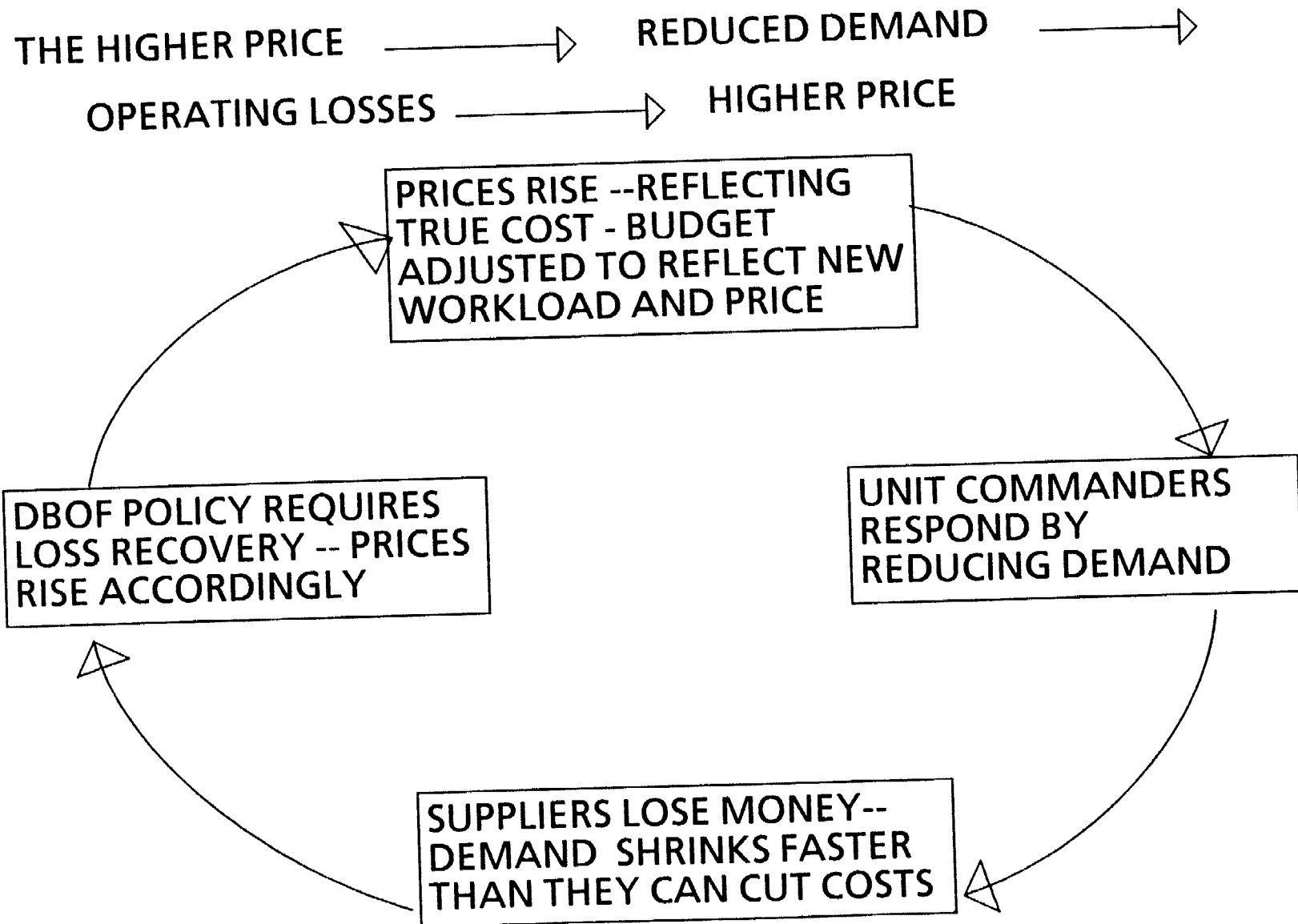
DBOF IMPROVEMENT PLAN

- **SYSTEMATIC REVIEW OF DBOF**
 - **EXPERT TEAM**
 - **STEERING GROUP**
 - **OUTSIDE CONSULTANTS**

- **TOP TO BOTTOM SCRUB OF KEY AREAS**
 - **ACCOUNTABILITY AND CONTROL**
 - **DBOF STRUCTURE**
 - **POLICIES AND PROCEDURES**
 - **FINANCIAL SYSTEMS**

- **RESULTS**
 - **SUPPORT BY ALL SERVICES**
 - **REVIEWED BY OUTSIDERS**
 - **DETAILED FRAMEWORK FOR IMPROVEMENTS**

VICIOUS CIRCLE



HOW DO WE PLAN TO BREAK THE DBOF VICIOUS CIRCLE?

- **ADOPT THE MODEL OF THE PUBLIC UTILITIES COMMISSION**
 - **DBOF CORPORATE BOARD MUST BECOME ADVOCATE FOR UNIT COMMANDERS TO CUT DBOF COSTS**
- **SPECIAL DBOF COST-REDUCTION TASK FORCES**
 - **BRAC/DEPOT CLOSURES**
 - **CONTRACTING OUT FINANCIAL SERVICES**
 - **PUBLIC/PRIVATE DEPOT COMPETITION**
 - **BENCHMARKING**
 - **DIRECT VENDOR DELIVERY**
 - **IMPROVED COMMISSARY EFFICIENCY**